

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2017/2018

**BLE2874 – LABOUR ECONOMICS**  
(Distance Education)

12 OCTOBER 2017  
9.00 a.m – 11.00 a.m  
(2 Hours)

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### INSTRUCTIONS TO STUDENTS

1. This question paper consists of **TWO (2)** printed pages with **FIVE (5)** structured questions.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

**ANSWER ALL QUESTIONS (100 Marks)****Question 1**

- (a) Discuss the **net effect** of an increase in wage rate under the work-leisure basic model and also under the allocation of time model if income effect dominates substitution effect. (14 marks)
- (b) Discuss the differences between unemployment and underemployment. (6 marks)
- (Total: 20 marks)**

**Question 2**

- (a) Explain why young people are more likely to invest in human capital and migrate to another places compared to older people. (12 marks)
- (b) Analyse the impact of the following changes on wages and employment in a given occupation:
- (i) A decrease in the danger of the occupation.
  - (ii) An increase in product demand.
  - (iii) Increased wages in alternative occupations.
  - (iv) Government restricts younger teenagers to certain kinds of occupation.
- (8 marks)
- (Total: 20 marks)**

**Question 3**

- (a) Define the term compensating wage differentials. (3 marks)
- (b) Discuss **THREE (3)** sources of compensating wage differentials with an example each. (9 marks)
- (c) Suppose that someone claims that low-wage jobs lack the healthcare and pension benefits enjoyed by higher-wage employees. Assuming this claim to be true, does this fact contradict the theory of compensating wage differentials? State **FOUR (4)** reasons with an explanation for each based on the labour economics theory. (8 marks)
- (Total: 20 marks)**

**Continued...**

**Question 4**

- (a) Discuss **TWO (2)** ways how the wage differentials between two countries tend to narrow and reduce the extent of labour migration. (10 marks)
- (b) In some countries, the government has practiced occupational job discrimination to replace employment discrimination which leads to occupational segregation or occupational crowding. Economists believed that this movement of protecting female workers will decrease the country's domestic output and efficiency. Explain by distinguishing between job discrimination and employment discrimination. (10 marks)  
**(Total: 20 marks)**

**Question 5**

The efficient contracts outcome will result in a lower wage and lower employment than the monopoly union outcome. Thus, efficient contracts model is only efficient for the firm but not for the union. Do you agree? Discuss.

(20 marks)  
**(Total: 20 marks)**

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